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Special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, held on 29 April 1999

Note by the Secretariat

The Secretariat hereby circulates for the information of the Economic and Social Council an informal summary of the special high-level meeting of the Council with the Bretton Woods institutions, held on 29 April 1999 (see annex).

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Annex

Summary of the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions (New York, 29 April 1999)

Contents

		Paragraphs	*Page*
I.	Background	1–4	3
II.	Opening statements	5–40	3
III.	The dialogue: key issues	41–65	7
	A. Measures to promote recovery and sustained economic growth	42–45	7
	B. Financial architecture and financial flows for development	46–52	7
	C. Increasing participation and cross-sectoral coherence	53–55	8
	D. International policy on external debt	56–59	8
	E. Economic crisis and social policy initiatives	60–62	9
	F. Further cooperation between the United Nations and the Bretton Woods institutions	63–65	9
IV.	Concluding remarks	66–73	10

I. Background

1. The General Assembly, in its resolution on revitalizing the United Nations in the economic and social fields adopted at its fiftieth session, recommended that the Economic and Social Council schedule periodically a high-level special meeting at a time proximate to the semi-annual meetings of the Bretton Woods institutions (50/227 of 24 May 1996, annex I, para. 88). Based on the experience of the first such high-level special meeting, held on 18 April 1998, the Assembly, in its resolution 53/172 of 15 December 1998, stressed the importance of the open high-level dialogue between the Council and the Bretton Woods institutions, and invited the Secretary-General to further support the Council in the organization of the high-level dialogue in 1999.

2. The second special high-level meeting of the Economic and Social Council with the Bretton Woods institutions was held on 29 April 1999. The meeting brought together policy makers in the areas of development cooperation, foreign affairs and finance for a dialogue in the Council. The theme addressed was "The functioning of international financial markets and stability in financing for development", a topic closely tied to the globalization process. Along the lines of the 1998 meeting, the high-level meeting of the Council was in the form of a free-flowing dialogue between a panel composed of Carlo Azeglio Ciampi, Minister of the Treasury of Italy, Chairman of the Interim Committee of the Board of Governors on the International Monetary System (International Monetary Fund (IMF)); Tarrin Nimmanahaeminda, Minister of Finance of Thailand, Chairman of the Development Committee; Carlos Saito, Adviser to the President of the Central Bank of Peru, Vice-President of the Deputies of the Group of Twenty-Four (G-24); and Mats Karlsson, State Secretary for International Development Cooperation, representing Sweden as the country chairing the Group of Ten (G-10). The meeting was opened by the Deputy Secretary-General of the United Nations and chaired by the President of the Council.

3. The present document provides a synopsis of that 29 April 1999 meeting, and summarizes the salient points and main aspects of the statements that were made and exchanges of views that took place at the meeting.

4. It is hoped that this summary will deepen the understanding of the relation between the financial architecture and development and will also contribute to the reflection on how to maintain the focus on long-term development through situations of economic and financial crisis.

II. Opening statements

5. The President of the Economic and Social Council underlined the widespread concern with current world economic and social conditions. The participation in the joint meeting of the highest financial authorities of a large number of countries and the heads of the Bretton Woods institutions provided a unique opportunity to discuss, and to seek to change, those conditions. The Council was the natural forum in which to advance the dialogue and build confidence on world economic and social issues.

6. It was disturbing that the gap between the poor and the rich in the world was increasing while official development assistance (ODA) — measured as a percentage of the gross domestic product (GDP) of the developed countries — had just reached its lowest level in 50 years. Solidarity was a strong reason to promote development in developing countries. Yet, more rapid development was also in the interest of donor countries.

7. Encouraging signals had been received from the recent meetings of the Bretton Woods institutions. The persistent crisis underscored the need for a comprehensive view of the reform of the international financial system and the problems of development. Increased stability of the international financial system was critical. The debt question, particularly of the poorest countries, needed increased attention. Relief was important to free poor countries from unsustainable debt levels and to make resources available to meet elementary human needs of their people. The Economic and Social Council, at its substantive session of 1999 in July in Geneva, would give priority to the goal of poverty eradication.

8. The Deputy Secretary-General stressed the importance of greater unity of purpose and action among international organizations. Although the worst fears of one year ago had not materialized, this was not the time for complacency. The world economy remained sluggish and downside risks were high. In many developing countries, the crisis had reversed in a few months the social gains of several decades. A large part of the developing world remained on the margins of the global market.

9. Faced with those realities, the priorities should be: faster growth in the world economy; completion of work on the establishment of a new global financial architecture; helping developing countries build the capacity to engage in the global economy on a sustainable basis; ensuring that sufficient resources were available for the task; and strengthening cooperation and coordination among all the stakeholders in the development process.

10. Progress had been made in improving the international financial system, yet much remained to be done to reduce the instability in private capital markets. The United Nations had put forward a number of ideas for reforming the system. The issue of governance of a strengthened system was crucial; neither its design nor its management should be the prerogative of a few States.

11. Liberalization was not sufficient to achieve development. Developing countries also needed to put in place policies and mechanisms to provide economic security and social welfare for all their people. She welcomed the growing attention that the Bretton Woods institutions were now giving to social issues. The outcome of the major United Nations conferences earlier in the decade provided a frame of reference for international consideration and action on those issues.

12. ODA continued to play a key role in many of the poorer countries. It was imperative to reverse its decline. The recent proposals to expand the Heavily Indebted Poor Countries (HIPC) Debt Initiative were welcome; however, actions on debt should not be taken at the expense of ODA. She supported the proposals to finance debt relief to the poorest countries by the sale of IMF gold holdings.

13. Achieving sustainable development required a holistic approach. That was why the Secretary-General had launched the United Nations Development Assistance Framework (UNDAF). The proposal by the President of the World Bank of a Comprehensive Development Framework had the same goal and this provided an additional opportunity for closer work, particularly where it counted most: at the country level.

14. The Chairman of the Interim Committee said that two days before the Committee had taken stock of the state of the world economy. It had discussed ways for countries to become more resilient and to enhance their participation in the global economy with more effective help of the international community.

15. Referring to the Committee's work, he stated that innovations had been introduced. Preparatory work had intensified and as a result the efficiency of the Committee had increased. The Committee would continue its pursuit of increased efficiency while involving a broader range of countries in its work.

16. Since last year's meeting, he continued, contagion had spread. Major crises had erupted in the Russian Federation and Brazil. Although the worst of the crises seemed to be over, the world economy was far from growing at its full potential. Policies had to be geared towards sustainable growth so as to provide a stimulus to the world economy.

17. The mitigation and prevention of future crises remained a key issue. Progress was being made in the international financial institutions. A Contingency Credit Line had been established by IMF to prevent and contain contagion. To be eligible, countries had to adopt sustainable exchange policies and sound debt management, and involve the private sector in financing their external borrowing requirements.

18. Considerable progress had been achieved in developing, disseminating and monitoring the implementation of international recognized standards, particularly concerning international reserves. Also, work was being pursued to devise ways to involve the private sector in ensuring stable financial flows to emerging and less developed countries. Moreover, IMF had cooperated with the World Bank and the Asian Development Bank to put in place social sector policies that would limit unemployment, increase income transfers and broaden social safety nets.

19. Poor countries risked being excluded from the discussion on architecture and global financial markets. The Committee had asked IMF and the World Bank to work in the context of the HIPC towards a framework that provided deeper relief to a broader group of countries, in a way that strengthened the incentives for adopting strong reform programmes and fostered the respect of human rights.

20. The Committee had also considered how IMF could enhance its support for countries emerging from conflict, including through more concessional resources with longer maturities. Bilateral and multilateral donors were responding to the crisis in Kosovo. Yet, more was required. The Committee had endorsed the need for a rapid, substantial and coordinated response by the international community to the economic consequences of the crisis in the region.

21. In sum, he added, the Committee had broadly endorsed the actions by IMF in such difficult times. He was confident that together with the activities of the World Bank and the United Nations, they would provide the pillars for a stronger, more effective and coordinated action of the international financial institutions.

22. The Chairman of the Development Committee said he would concentrate his remarks on international policy on external debt, and economic crisis and social policy. In the recent meeting of the Committee, Ministers had appreciated the progress achieved in the past two and a half years in implementing the HIPC Debt Initiative. More than US$ 6 billion of debt relief had been granted to seven countries.

Yet, in the view of Ministers, results fell short of what was needed. It was thus encouraging to hear that many Ministers from donor nations had offered to take additional steps bilaterally. They had also agreed to examine options that would make the HIPC Debt Initiative broader, deeper and faster. For the initiative to be most productive and to minimize moral hazard, it should continue to be associated with strong policy performance by the country concerned. Moreover, the Development Committee had endorsed the principle that changes in the initiative should preserve the financial integrity of international financial institutions.

23. The Committee had also heard the views and perspectives on this issue of the African Development Bank and the Inter-American Development Bank. These banks had significant HIPC funding problems to face and it was important that those problems be recognized. Thus, Ministers had requested that the review of options to expand the initiative be matched by a broad-based effort to find appropriate and equitable financing. In poorest countries, debt relief was not enough: for them, new financing should be on a grant basis or highly concessional, according to the Ministers. A major effort was needed on both the aid and trade fronts to reach the international goal of halving the proportion of people living in poverty by 2015. The sharp decline of ODA was viewed with great concern.

24. The World Bank had undertaken, at the request of the Development Committee, consultations with the United Nations and its agencies, on principles and good practices in social policies. A valuable paper had been prepared for the Ministers which had drawn heavily on the core recommendations of the Copenhagen World Summit for Social Development. The lessons of the recent financial crisis had clearly shown the importance of helping countries bolster their social policies and institutions. Given its experience, the World Bank should concentrate on translating broad principles into practical and country-specific results.

25. The Committee had welcomed the close links between these social principles and policies and the proposed Comprehensive Development Strategy of the President of the World Bank. The emphasis on implementation and developing best practice was seen as the Bank's comparative advantage, whereas further development of principles could best be accomplished in the United Nations framework.

26. He added that Thailand had identified three principles in selecting policy options: social policies must be consistent with Thai values and culture; social policies must be sustainable after the crisis; social policies should deepen the reform agenda in terms of transparency, people participation and community development. In practice, a two-track approach had been adopted. First, using fiscal deficit, government programmes had been strengthened to alleviate unemployment and underemployment. Second, civil societies and local communities had been incorporated as full partners in social policy programmes. In sum, it was clear that sustainable economic recovery depended on coherent and effective social policies as much as on economic reform measures.

27. The Chairman of G-10 stressed the need for a favourable and stable economic environment and for evolving norms and rules to ensure that all could benefit from economic integration. Political determination was necessary to ensure that economic growth, social justice and environmental sustainability enriched each other in national and global policy-making.

28. Poverty could be eradicated faster. The lessons from everywhere were clear: invest in a democratic culture, a social market and individual empowerment through continuous education, and the deprived will stand a good chance of taking control of their future. The World Development Indicators recently released by the World Bank suggested that, despite a generation of significant progress in the developing world, the progress towards eradicating poverty was insufficient. In some areas, poverty was even rising and forecasts indicated that only South Asia and China would reduce poverty by half by 2015. While development assistance was not the key to everything, it was essential. As stated by the Managing Director of IMF: "We must also see in ODA the highest yielding investment that humankind can make in the future." The declining trend of ODA must be reversed so to approach the 0.7 target.

29. Around the world, rapid global economic integration was far exceeding political integration. Reliably functioning financial markets remained a central challenge of globalization. Financial stability had to be treated as a global public good. When capital flows suddenly swelled or contracted, not only was the private sector affected, but Governments had to make difficult choices almost instantaneously. Rationality suffered. As financial instability, to some extent, originated in market failures, a central objective should be to correct them.

30. The ongoing process to review the international financial architecture was welcome. Not for a long time had the window of opportunity for change been more open. Private capital markets must be the backbone of sustainable development. Since the pattern of distribution of foreign investment in the developing world remained uneven, there was a clear role for global public responsibility in helping

more countries to access development financing. The key question was how to improve adequacy and predictability in financing development. The task was set to deliver the relevant responses in the process within the United Nations leading up to the high-level meeting on financing for development in 2001.

31. Governments had to bring together the competence, which in many countries was divided, between ministries of finance, economy, trade, planning, foreign affairs, development and other public bodies so as to focus instruments and resources on development objectives. There was also a need to relate more clearly to the private sector. With a broadly shared view on the framework for development finance, overall confidence and long-term commitment will be more easily achieved. Yet, development assistance alone could not generate sustainable development. Domestic saving and investment, and international trade had a much larger potential. This needed to be fully recognized in the current process and the forthcoming round of negotiations in the World Trade Organization.

32. In many countries, investments in human development were insufficient largely owing to the fact that their budgets were being drained by debt obligations. Additional debt relief was necessary to achieve human development objectives. While the HIPC Initiative was a major step forward, the time had come for its revision. Countries had to be given options for a viable exit from the debt trap. Sweden was encouraging all creditor countries to cancel ODA debt.

33. The Chairman of G-10 added that the past years had witnessed considerable improvements in the collaboration between the United Nations and the Bretton Woods institutions. He appreciated the progress made but indicated that more was required. There was an agreed development agenda. What was needed was coherence in policies at global, regional and national levels in order to maximize the effects of our common resources.

34. The G-24 Ministers of the developing countries (Intergovernmental Group of Twenty-Four on International Monetary Affairs) were represented by one of the Group's two Vice-Presidents. He said that the recent ministerial meeting of 26 April 1999 had focused on three main issues: the world economy and the international monetary system; strengthening the architecture of the international financial system; and development financing. Ministers had expressed their concern at the low rates of economic growth. They had welcomed the easing of monetary conditions in industrialized countries and had stressed the need for those countries to open their markets wider to the imports of developing countries.

35. The financial crisis had affected even countries with sound policies. More had to be done to avoid contagion. They had reiterated their call for the establishment of a task force with participation from developing and developed countries to engage in an in-depth examination of issues related to the reform of the international monetary and financial system.

36. Regarding the Contingency Credit Line, Ministers had expected that the eligibility criteria would be administered in a way that provided incentives and equal opportunities for member countries. In addition, the lender of last resort initiative deserved further study and discussion. They also expressed their satisfaction at the efforts to explore involving the private sector in both forestalling and resolving financial crises. Integration into the global financial market remained a fundamental objective of the developing world; yet, its benefits could be fully obtained only if volatility was contained.

37. When liberalizing capital accounts, the specific characteristics of each country had to be considered. Notwithstanding the fact that progress achieved on the issue of transparency was welcome, Ministers had emphasized the importance for IMF of concentrating on areas related to its core activities. They also appreciated the efforts to strengthen the decision-making process of the Bretton Woods institutions. Strengthening the existing instruments of cooperation — including the working procedures of the Interim and Development Committees without undermining the role of the Executive Directors — was th best way to proceed.

38. Regarding the HIPC Initiative, Ministers had welcomed the growing consensus with respect to restructuring it. This would require additional resources, the equitable distribution of the burden and alternative mechanisms for funding. The recent expressions of intent by the Group of Seven (G-7) and other creditor countries to support the restructuring of the Initiative, and their willingness to forgive ODA debt of poor countries, were encouraging. However, G-24 remained concerned at the disturbing decline in ODA.

39. IMF's granting of additional funds for post-conflict countries and the World Bank's initiatives in that area were welcome. Expanding the definition of countries in conflict was also encouraged. Ministers had urged the Bretton Woods institutions and donors to build capacities in Africa. Regarding the Comprehensive Development Framework, the view was that it was essential to maintain a balance between

macroeconomic and social matters, but there was concern about joint planning capacity and costs implications for borrowers.

40. The basic principles to promote social development were important. The Bretton Woods institutions and the regional development banks should participate in developing the principles according to their respective mandates and comparative advantages. In conclusion, he stated, G-24 felt that the United Nations initiative for holding a high-level forum for financing for development, scheduled for 2001, was very important.

III. The dialogue: key issues

41. A very rich debate followed the above presentations, with the participation of the Ministers, the Permanent Representatives and the Heads of the Bretton Woods institutions. The discussion focused on six main subjects: measures to promote recovery and sustained economic growth; financial architecture and financial flows for development; increasing participation and cross-sectoral coherence; international policy on external debt; economic crisis and social policy initiatives; and further cooperation between the United Nations and the Bretton Woods institutions.

A. Measures to promote recovery and sustained economic growth

42. Several participants welcomed the signals indicating that the crisis was abating. Yet, serious concerns remained. The world economy was growing well below its potential, a large number of developing countries were stagnant or had a declining GDP, prices of many primary commodities were at unusually low levels, social conditions in crisis countries had suffered serious setbacks, and downside risks were substantial. The measures recommended by the Interim Committee had to be acted upon expeditiously. In the view of some representatives, wider market access for developing countries — in particular, the least developed countries — was especially important.

43. Despite the fact that the world was awash with financial capital, a large majority of developing countries had little or no access to it. It was true that the world economy was now better prepared to face crises after the measures already adopted and the experience gathered in the last two years. Yet, the abundance of financial capital and the potential for excessive lending linked to the fragility of several economies were still cause for concern. It was thus important to consider all factors that made economies more resilient.

44. Improving the functioning and solidity of financial institutions was crucial but not sufficient. The political foundations, democratic Governments, effective participation of the people, and efficient social policies were as — or more — important. Long-term external capital could also provide a critical support. Thus, the multilateral development banks were encouraged to consider expanding their range of instruments for mobilizing private capital within an equitable and sustainable strategy for development. Foreign direct investment was generally a stable and effective source of capital. It was recommended that the international community should work with emerging economies to help them formulate policies that would make them attractive to foreign investors.

45. Peace and development were inextricably linked. External and internal peace depended to a large measure on effectively tackling the risks that accompanied globalization. Enhanced support for countries in conflict and countries emerging from conflict was necessary, according to many participants. Measures such as more concessional resources with longer maturity were needed. In the case of Kosovo, a rapid, substantial and coordinated response to the crisis, taking into account the needs of neighbouring countries, was crucial.

B. Financial architecture and financial flows for development

46. Several representatives stressed the need to focus on developing instruments, including early warning systems, aimed at preventing crises rather than just on measures to manage them. Innovations were necessary towards the greater transparency of: markets, international reserve levels, the fiscal situation and national and international financial institutions. It was important to strengthen the institutional capacity of IMF in the design and implementation of sound financial policies. Transforming the Interim Committee into a council merited serious consideration.

47. According to some participants, the international financial institutions in their present form had proved incapable of preventing the crisis and its spread. A serious problem in dealing with an ongoing crisis was the fact that financial assistance was provided on the same strict terms that had obtained before the crisis. Such an approach needed revision. In this context, it appeared important to strengthen

the resource base of IMF as well as to consider an allowance for quicker loans from that institution, including automatic access to the Contingency Credit Facility.

48. A number of Ministers pointed out that the review of the international financial architecture should utilize a holistic approach. The Executive Committee on Economic and Social Affairs of the United Nations had contributed a document ("Towards a new international financial architecture") that provided interesting ideas for the ongoing reform process. Financial reform and social and structural issues had to be integrated not only in response to the crisis, but also for sustained development.

49. International financing was only one aspect of financing for development. Unless sufficient domestic financing for investment was available, development could not be sustained. In the view of several Ministers, efforts were necessary to stabilize State revenue by means of a fair system of taxation and efficient tax administration, and to mobilize more domestic capital through an effective private sector financial system subject to adequate bank supervision. Also, fundamental institutional safeguards were needed — rules on competition, transparency, rule of law, democratic control of the State, core labour standards, a public spending structure that made adequate provision for the poor, in particular by means of social investments and a safety net — to ensure that international or national financial resources had a positive impact on development.

50. Capacity-building was important to increase the capabilities of developing countries to absorb increasing financial resources. According to some representatives, priority should be given to strengthening the banking system. There was a need for better supervision as well as proper mechanisms for the management of bank failures.

51. The flow of resources to developing countries remained a key factor in development. In the view of many, ODA should approach the 0.7 per cent target, especially to support poor countries introducing appropriate reforms. Other forms of bilateral financial cooperation were also important, but in the case of emerging markets such cooperation should not be used to bail out private creditors.

52. The process in the United Nations directed towards a high-level event on financing for development in 2001 provided an important opportunity for interaction with the Bretton Woods institutions. Their participation was crucial to that process. It was proposed that a joint task force of the three institutions be considered with the objective of providing inputs to the preparatory process of the high-level event.

C. Increasing participation and cross-sectoral coherence

53. Several Ministers stated that, while developing countries were generally encouraged by recent broad proposals on functioning of international financial markets and financing for development, they were concerned about the design of the initiatives to give effect to such proposals. The question was whether, apart from existing consulting mechanisms, IMF and the World Bank could ensure that developing countries — especially small developing countries — would better participate in the processes and thereby gain ownership of the initiatives. Implementation also caused some concern. They wondered how developing countries that did not pose systemic risks, particularly smaller ones, could secure access to the higher levels of the international financial institutions when those countries' concerns were not given attention.

54. The new financial architecture should strive for a more effective participation of all countries as well as a more symmetric supervision and transparency of all actors involved. The participation of regional development banks and other relevant regional institutions was also important. A number of representatives expected that the new financial architecture should strengthen the role of small countries. The view was expressed that particular attention should be given to the difficulties of countries in a special situation including small island developing countries.

55. Some Ministers stated that resources were still being wasted owing to overlapping and turf-related battles. There was expertise in many quarters: it had to be tapped effectively. That would be possible only if various organizations worked together and ensured that developing countries had access to that expertise. Working together with the donor countries concerned was also critical. Governments also had an important responsibility: harmonizing the views of the different sectoral ministries in order to speak with one voice in international forums. Otherwise, the effect would be to continue to export compartmentalization at a time when there was a high degree of consensus on what had to be done and the key challenge was implementation.

D. International policy on external debt

56. Many participants stressed the growing consensus on the need for changes in the HIPC Initiative towards a deeper and faster relief for a broad group of countries. There should be a strong link between debt reduction and helping

countries achieve sustainable development and poverty eradication. Thus, debt relief must not be at the expense of ODA.

57. Several Ministers highlighted the importance of appropriate burden-sharing among creditors. It was also important to consider financing debt relief for the poorest countries by the sale of IMF gold reserves and new measures by bilateral donors. It was pointed out that well-targeted debt relief — freeing resources for children, education and environmental protection — could be instrumental in enhancing the resilience of the domestic economy.

58. Some speakers stated that external debt should be addressed in a more comprehensive and holistic manner. Piecemeal responses to selected countries might not contribute to the overall goals of development of developing countries. A global plan of action for debt cancellation focused primarily on heavily indebted poor countries, but aiming also at other developing countries, could be explored.

59. Countries in conflict or post-conflict situation were unlikely to benefit from the HIPC Initiative. Yet, they needed resources to consolidate peace and speed up recovery. It was therefore also important to examine how to mitigate the debt burden of these countries.

E. Economic crisis and social policy initiatives

60. Many Ministers emphasized that investments in education were central to development. This priority should receive special attention in assistance programmes, including the resources freed as a result of debt relief. Policy adjustments required to cope with a financial crisis also had to pay special attention to public-health and education programmes. More generally, the economic and social aspects of the policies and measures to deal with crises had to be effectively integrated.

61. The establishment of minimal social safety nets in normal times could be instrumental in mitigating the worst effects of crises in vulnerable groups. Basic health care and nutrition would continue to be provided even in hard times so that the country's human capital was not eroded.

62. Some participants pointed out the importance of establishing a policy framework that encouraged equitable sharing of opportunities. Capacity-building efforts, in particular of African countries and least developed countries, should be supported by the international community. Exchange of information on innovative social policies and practices could be particularly useful. Fostering small and medium-sized enterprises through appropriate credit and regulatory policies, including microcredit initiatives in rural and urban areas, should be a key element of the policy framework.

F. Further cooperation between the United Nations and the Bretton Woods institutions

63. The intensification of the dialogue and collaboration between the United Nations and the Bretton Woods institutions was welcomed by the Ministers. Closer cooperation between the three institutions could produce mutually reinforcing synergies in the formulation and implementation of effective responses to meet the challenges of globalization. The broad consensus on goals and policies made even more necessary their collaborative efforts for smooth implementation of policies and programmes, particularly at the field level. The UNDAF and the Comprehensive Development Framework must be mutually supportive and relate to the development priorities of individual countries. The emphasis should lie on poverty eradication, drawing in all development agencies as well as the private sector and civil society.

64. Many Ministers welcomed the work on the Comprehensive Development Framework. The Comprehensive Development Framework, developed by the World Bank, was an interesting concept which should be further elaborated in the light of the UNDAF experience and taking into account the specificity and the relevant competence of the different channels of development cooperation.

65. Enhanced partnership among international institutions, including regional ones, donors and recipient countries was critical to the success of joint efforts. Several Ministers appreciated the increasing attention that the Bretton Woods institutions were giving to social issues. Development of social principles and good practices was a step forward. The United Nations was a world forum with strong normative functions and global consensus on social policy was a key task of this institution. Further development of basic social principles could be best pursued by the United Nations, as part of the follow-up to the Copenhagen World Summit for Social Development.

IV. Concluding remarks

66. The President of the World Bank said that the discussion had highlighted the prevalence of the poverty issues and the need for unifying efforts, while organizational issues had also received significant attention. The Copenhagen Declaration on Social Development[1] had stated that countries of the world were committed to ensuring the social and financial environment in which to achieve development. There was no significant distinction between the establishing of principles by the United Nations and the attempt of the World Bank to determine financial policies. What was critical was ensuring that the two institutions worked together.

67. Regarding the Comprehensive Development Framework, he affirmed the importance of bringing together the players in a coordinated partnership. The central issues were poverty and development and in dealing with them, the focus should be the substance, not the form. There seemed to be a consensus that there was a link among the macroeconomic, structural, social and human issues, which needed to be taken together. The Bank had set forth some ideas in the Comprehensive Development Framework. The present high-level meeting had demonstrated a broad consensus on that approach.

68. The HIPC Initiative was part of the development process, he added. He was very encouraged by the fact that the world was paying attention to debt issues, but they should be viewed in context. Good governance, capacity-building and human development were critical. The HIPC Initiative had made substantial progress. Reduction in debt services had been agreed upon for a total of about $6 billion. By the end of the year, eight more countries might qualify. On the question, brought up by some participants, of more expeditious access to the Bank's senior management, he said there was a country director responsible for each country who should be able to ensure adequate access. If the country directors did not ensure access, then States, he suggested, should call him directly.

69. Representing the World Bank, he was pleased to say that its relations with the United Nations were improving. It was important that they stop worrying about structure and being suspicious of each other and proceed with the work to be done, for the crisis really existed and that should create a sense of urgency.

70. The Managing Director of IMF stated that, concerning the question whether the crisis was over or not, if he were to say prematurely that it was over, then Governments might react and not fully support reforms. A measure of stability had returned and the countries most affected were in a recovery process or very close to it. He was pleased at their determined efforts at reform. Preventing crisis remained an essential objective. Identifying danger signals was important but not always easy. Some countries had been warned by the Fund of impending crisis in their economies but little action was taken before the crisis erupted.

71. Several participants pointed to the need to make the Bretton Woods institutions more participatory. The suggested transformation of the Interim Committee into a council would give the representatives of developing countries a forum where they could speak about their concerns. That idea was gaining support. He said that at present, no effort was spared to have the smallest countries associated to the Fund's decisions. Almost all decisions, particularly those adapting or establishing facilities, were taken by consensus. As a matter of principle, he received all Ministers and Governors asking to see him.

72. Regarding the HIPC Initiative, he said that it was clear that it could not deliver what it promised without reform in the beneficiary countries and efforts by some countries to open their markets to them. Also, the trends in ODA must be reversed. It would be unfortunate should the battle of debt be won while the war of strengthening ODA was lost. It was necessary to properly marry debt relief and social relief. While he had found support from member countries for deepening debt relief for the poorest countries, he had seen no interest or readiness in the membership to include middle-income countries in the cancellation of debt.

73. He stated that it was important to make sure that countries adopted, in advance of crisis, minimal social safety nets. That should be part of social principles and good practice being worked out. Also, he reiterated the need for a better integration of the United Nations family and the Bretton Woods family.

Notes

[1] *Report of the World Summit for Social Development, Copenhagen, 6–12 March 1995* (United Nations publication, Sales No. E.96.IV.8), chap. I, resolution 1, annex I.